

House Study Bill 705 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
REVENUE BILL)

A BILL FOR

1 An Act relating to the policy administration of the tax
2 and related laws by the department of revenue, including
3 administration of income taxes, sales and use taxes, motor
4 fuel taxes, property taxes, and inheritance taxes, providing
5 for taxpayer information exchanges with the department
6 of workforce development, making penalties applicable,
7 and including effective date and retroactive and other
8 applicability provisions.

9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

WITHHOLDING TAX CREDITS

Section 1. Section 15A.7, unnumbered paragraph 1, Code Supplement 2009, is amended to read as follows:

In order to promote the creation of additional high-quality new jobs within the state, an agreement under section 260E.3 may include a provision for a supplemental new jobs credit from withholding from jobs created under the agreement. As used in this section, "new jobs credit from withholding" means the same as defined in section 260E.2. A provision in an agreement for which a supplemental credit from withholding is included shall provide for the following:

Sec. 2. Section 15A.9, subsection 3, paragraph a, unnumbered paragraph 1, Code Supplement 2009, is amended to read as follows:

At the request of the primary business or a supporting business, an agreement authorizing a supplemental new jobs credit from withholding from jobs within the zone may be entered into between the department of revenue, a community college, and the primary business or a supporting business. As used in this subsection, "new jobs credit from withholding" means the same as defined in section 260E.2. The agreement shall be for program services for an additional job training project, as defined in chapter 260E. The agreement shall provide for the following:

Sec. 3. Section 15E.197, subsection 4, Code Supplement 2009, is amended to read as follows:

4. For purposes of this section, "*eligible business*" means a business which has been approved to receive incentives and assistance by the department of economic development pursuant to application as provided in section 15E.195, and "*new jobs credit from withholding*" means the same as defined in section 260E.2.

Sec. 4. Section 260E.2, subsection 11, Code 2009, is amended to read as follows:

1 11. "New jobs credit from withholding" means the
2 credit procedure for crediting to employers the amount of
3 withholding tax payments made by the department of revenue to
4 community colleges as provided in section 260E.5.

5 Sec. 5. Section 260E.5, subsections 2, 4, 5, and 6, Code
6 2009, are amended to read as follows:

7 2. a. The employer shall remit the total amount of
8 withholding payments due pursuant to section 422.16 to the
9 department of revenue. An amount equal to one and one-half
10 percent of the gross wages paid by the employer to each
11 employee participating in a project shall be credited from the
12 ~~payment made by an employer pursuant to section 422.16.~~ If
13 ~~the amount of the withholding by the employer is less than one~~
14 ~~and one-half percent of the gross wages paid to the employees~~
15 ~~covered by the agreement, then the employer shall receive a~~
16 ~~credit against other withholding taxes due by the employer.~~
17 ~~The employer shall remit the amount of the credit quarterly~~
18 ~~in the same manner as withholding payments are reported to~~
19 ~~the department of revenue,~~ withholding tax payments to be
20 made by the department of revenue on a quarterly basis to the
21 account of each community college to be allocated to and when
22 collected paid into a special fund of the community college to
23 pay the principal of and interest on certificates issued by the
24 community college to finance or refinance, in whole or in part,
25 the project.

26 b. When the principal and interest on the certificates have
27 been paid, the ~~employer credits~~ department of revenue shall
28 ~~cease and any money to credit withholding tax moneys to the~~
29 account of the community college. All moneys received after
30 the certificates have been paid shall be remitted to the
31 treasurer of state to be deposited in the general fund of the
32 state.

33 4. The employer shall certify to the department of revenue
34 that the new jobs credit in from withholding is in accordance
35 with an agreement and shall provide any other information the

1 department may require.

2 5. ~~A~~ In order to receive the moneys credited to a community
3 college's account, the community college shall certify to
4 the department of revenue the amount of new jobs credit
5 from withholding an employer has remitted to be allocated
6 and paid to the special fund and shall provide any other
7 information the department may require. Upon reviewing the
8 required information and verifying that the certified amount
9 is correct, the department of revenue shall pay the certified
10 amount into the special fund of the community college.

11 6. An employee participating in a project ~~will~~ must receive
12 full credit for the amount withheld as provided in section
13 422.16.

14 Sec. 6. Section 260G.2, subsection 13, Code 2009, is amended
15 to read as follows:

16 13. "*Program job credit*" means the credit procedure for
17 crediting to employers the amount of withholding tax payments
18 made by the department of revenue to community colleges as
19 provided in section 260G.4A.

20 Sec. 7. Section 260G.4A, subsections 2 through 5, Code 2009,
21 are amended to read as follows:

22 2. a. Eligibility for program job credits shall be
23 based on certification of program job positions and program
24 job wages by the employer at the time established in the
25 agreement. An employer shall remit the total amount of
26 withholding payments due pursuant to section 422.16 to the
27 department of revenue. An amount up to ten percent of the
28 gross program job wage as certified by the employer in the
29 agreement shall be credited from the ~~total payment made by~~
30 ~~an employer pursuant to section 422.16.~~ ~~The employer shall~~
31 ~~receive a credit against all withholding taxes due by the~~
32 ~~employer regardless of whether or not the withholding from the~~
33 ~~employer of current program job wages is less than ten percent.~~
34 ~~The employer shall remit the amount of the credit quarterly in~~
35 ~~the same manner as withholding payments are reported to the~~

1 ~~department of revenue,~~ withholding tax payments to be made by
2 the department of revenue on a quarterly basis to the account
3 of each community college to be allocated to and when collected
4 paid into a special fund of the community college to pay, in
5 part, the program costs.

6 b. When the program costs have been paid, the ~~employer~~
7 ~~credits~~ department of revenue shall cease and any to credit
8 withholding tax moneys to the account of the community college.
9 All moneys received after the program costs have been paid
10 shall be remitted to the treasurer of state to be deposited in
11 the general fund of the state.

12 3. The employer shall certify to the department of revenue
13 that the program job credit is in accordance with the agreement
14 and shall provide any other information the department may
15 require.

16 4. A In order to receive the moneys credited to a community
17 college's account, the community college shall certify to
18 the department of revenue that the amount of the program job
19 credit to be allocated and paid to the special fund is correct
20 and in accordance with an agreement and shall provide any other
21 information the department may require. Upon reviewing the
22 required information and verifying that the certified amount
23 is correct, the department of revenue shall pay the certified
24 amount into the special fund of the community college.

25 5. Employees ~~from~~ of an employer participating in an
26 agreement ~~shall~~ must receive full credit for the amount
27 withheld as provided in section 422.16.

28 Sec. 8. Section 403.19A, subsection 1, Code Supplement
29 2009, is amended by adding the following new paragraph:

30 NEW PARAGRAPH. *Og. "Targeted jobs withholding credit"*
31 means the procedure for crediting to employers the amount of
32 withholding tax payments made by the department of revenue to a
33 pilot project city as provided in subsection 3.

34 Sec. 9. Section 403.19A, subsection 3, paragraphs a, b,
35 e, f, g, and h, Code Supplement 2009, are amended to read as

1 follows:

2 ~~a. A pilot project city may provide by ordinance for~~
3 ~~the deposit into a designated account in the special fund~~
4 ~~described in section 403.19, subsection 2, of the targeted~~
5 ~~jobs withholding credit described in this section and an~~
6 ~~employer may enter into a withholding agreement pursuant to~~
7 ~~this subsection. Such an agreement may include a provision~~
8 ~~for a targeted jobs withholding credit. The targeted jobs~~
9 ~~withholding credit shall be based upon the wages paid to~~
10 ~~employees pursuant to a withholding agreement.~~

11 ~~b. The employer shall remit the total amount of withholding~~
12 ~~payments due pursuant to section 422.16 to the department~~
13 ~~of revenue. An amount equal to three percent of the gross~~
14 ~~wages paid by an employer to each employee under a withholding~~
15 ~~agreement shall be credited from the payment made by the~~
16 ~~employer pursuant to section 422.16. If the amount of the~~
17 ~~withholding by the employer is less than three percent of the~~
18 ~~gross wages paid to the employees covered by the withholding~~
19 ~~agreement, the employer shall receive a credit against other~~
20 ~~withholding taxes due by the employer or may carry the credit~~
21 ~~forward for up to ten years or until depleted, whichever is the~~
22 ~~earlier. The employer shall remit the amount of the credit~~
23 ~~quarterly, in the same manner as withholding payments are~~
24 ~~reported to the department of revenue, withholding tax payments~~
25 ~~to be made by the department of revenue on a quarterly basis to~~
26 ~~the account of each pilot project city to be allocated to and~~
27 ~~when collected paid into a designated account in the special~~
28 ~~fund for the urban renewal area in which the targeted jobs are~~
29 ~~located. All amounts so deposited shall be used or pledged by~~
30 ~~the pilot project city for an urban renewal project related to~~
31 ~~the employer pursuant to the withholding agreement.~~

32 ~~e. (1) The employer shall certify to the department~~
33 ~~of revenue that the targeted jobs withholding credit is in~~
34 ~~accordance with the withholding agreement and shall provide~~
35 ~~any other information the department may require. Notice of~~

1 any withholding agreement shall be provided promptly to the
2 department of revenue following execution of the agreement by
3 the pilot project city and the employer.

4 (2) Following termination of the withholding agreement,
5 the ~~employer credits~~ department of revenue shall cease ~~and any~~
6 ~~money~~ to credit withholding tax moneys to the account of the
7 pilot project city. All moneys received ~~by the pilot project~~
8 ~~city~~ after termination shall be remitted to the treasurer of
9 state to be deposited into the general fund of the state.
10 Notice shall be provided promptly to the department of revenue
11 following termination.

12 *f.* If the employer ceases to meet the requirements of the
13 withholding agreement, the agreement shall be terminated and
14 any targeted jobs withholding tax ~~credits for the benefit~~
15 ~~of payments credited to the employer~~ employer's obligations
16 under the agreement shall cease. However, in regard to the
17 number of new jobs that are to be created, if the employer
18 has met the number of new jobs to be created pursuant to
19 the withholding agreement and subsequently the number of new
20 jobs falls below the required level, the employer shall not
21 be considered as not meeting the new job requirement until
22 eighteen months after the date of the decrease in the number of
23 new jobs created.

24 *g.* A In order to receive the moneys credited to a pilot
25 project city's account, the pilot project city shall certify
26 to the department of revenue the amount of the targeted jobs
27 withholding credit an employer has remitted to the city to
28 be allocated and paid to the special fund as provided for
29 under the agreement and shall provide any other information
30 the department may require. Upon reviewing the required
31 information and verifying that the certified amount is correct,
32 the department of revenue shall pay the certified amount into
33 the designated account of the special fund of the urban renewal
34 area in which the targeted jobs are located.

35 *h.* An employee whose wages are subject to a withholding

1 agreement ~~shall~~ must receive full credit for the amount
2 withheld as provided in section 422.16.

3 Sec. 10. Section 403.19A, subsection 3, paragraph j,
4 subparagraph (1), Code Supplement 2009, is amended to read as
5 follows:

6 (1) A pilot project city entering into a withholding
7 agreement shall arrange for matching local financial support
8 for the project. The local match required under this paragraph
9 "j" shall be in an amount equal to one dollar for every dollar
10 of targeted jobs withholding credit tax payments received by
11 the pilot project city from the department of revenue.

12 Sec. 11. Section 422.16A, Code 2009, is amended to read as
13 follows:

14 **422.16A Job training withholding — certification and**
15 **transfer.**

16 Upon the completion ~~by a business of its repayment~~
17 obligation of the payment of program costs for a training
18 project funded under chapter 260E, including a job training
19 project funded under section 15A.8 or repaid in whole or in
20 part by the supplemental new jobs credit from withholding
21 under section 15A.7 or section 15E.197, the sponsoring
22 community college shall report to the department of economic
23 development the amount of withholding ~~paid by the business tax~~
24 payments credited by the department of revenue to the account
25 of the community college during the final twelve months of
26 withholding payments. The department of economic development
27 shall notify the department of revenue of ~~that~~ the amount
28 reported by the community college. The department of
29 revenue shall credit to the workforce development fund account
30 established in section 15.342A twenty-five percent of that
31 amount each quarter for a period of ten years. If the amount
32 of withholding ~~from the business or employer~~ credited by
33 the department of revenue is insufficient, the department
34 of revenue shall prorate the quarterly amount credited to
35 the workforce development fund account. The maximum amount

1 ~~from all employers~~ of withholding tax credit which shall be
2 transferred to the workforce development fund account in any
3 year is four million dollars.

4 Sec. 12. RETROACTIVE APPLICABILITY.

5 1. This division of this Act applies to all agreements
6 concerning withholding tax credit payments entered into
7 pursuant to the provisions of chapters 260E and 260G and
8 section 403.19A.

9 2. An agreement entered into prior to the effective date of
10 this division of this Act shall be re-executed and its terms
11 renegotiated in compliance with the provisions of this division
12 of this Act.

13 DIVISION II

14 PROPERTY TAXES

15 Sec. 13. Section 421.17, subsection 17, Code 2009, is
16 amended to read as follows:

17 17. To prepare and issue a state appraisal manual which each
18 county and city assessor shall use in assessing and valuing all
19 classes of property in the state. The appraisal manual shall
20 be continuously revised and the manual and revisions shall be
21 issued to the county and city assessors in such form and manner
22 as prescribed by the director. The director may approve an
23 alternate appraisal manual for use by a city or county assessor
24 if the director determines that the manual is uniform and
25 consistent with the state appraisal manual.

26 Sec. 14. Section 421.30, subsection 7, Code 2009, is amended
27 to read as follows:

28 7. Any reassessment of property ordered by the director,
29 whether or not undertaken with funds provided in this section,
30 shall be conducted by the assessor in accordance with the Iowa
31 real property appraisal manual ~~issued under authority of or an~~
32 approved alternate appraisal manual as described in section
33 421.17, subsection 17, the assessment laws of this state, and
34 any reassessment order issued by the director under authority
35 of this chapter. The conference board may employ appraisers

1 or other expert help to assist the assessor in completing
2 the reassessment, except that no conference board receiving
3 funds under this section shall enter into a contract for
4 the reassessment of property until the board's proposal for
5 completing the reassessment is approved. The director shall
6 supervise the conduct of all reassessments of property and
7 issue to the assessor or conference board such instructions,
8 directives, or orders as are necessary to ensure compliance
9 with the provisions of this section and the assessment laws of
10 this state.

11 Sec. 15. Section 427B.4, Code 2009, is amended to read as
12 follows:

13 **427B.4 Application for exemption by property owner.**

14 1. a. An application shall be filed for each project
15 resulting in actual value added for which an exemption is
16 claimed. The first application for exemption shall be filed
17 by the owner of the property with the local assessor governing
18 body of the city or county in which the property is located by
19 February 1 of the assessment year in which the value added is
20 first assessed for taxation for which the exemption is first
21 claimed, but not later than the year in which all improvements
22 included in the project are first assessed for taxation, or the
23 following two assessment years.

24 b. Applications for exemption shall be made on forms
25 prescribed by the director of revenue and shall contain
26 information pertaining to the nature of the improvement, its
27 cost, the estimated or actual date of completion, whether
28 the exemption schedule described in section 427B.3 or an
29 alternate schedule adopted pursuant to section 427B.1 will be
30 elected, and any other information deemed necessary by the
31 director of revenue.

32 2. a. A person may submit a proposal to the city council
33 of the city or the board of supervisors of a county to receive
34 prior approval for eligibility for a tax exemption on new
35 construction. The city council or the board of supervisors, by

1 ordinance, may give its prior approval of a tax exemption for
2 new construction if the new construction is in conformance with
3 the zoning plans for the city or county. The prior approval
4 shall also be subject to the hearing requirements of section
5 427B.1.

6 b. Prior approval received under this subsection does not
7 entitle the owner to exemption from taxation until the new
8 construction has been completed and found to be qualified real
9 estate. However, if the tax exemption for new construction is
10 not approved, the person may submit an amended proposal to the
11 city council or board of supervisors to approve or reject.

12 Sec. 16. Section 441.21, subsection 1, paragraphs h and i,
13 Code Supplement 2009, are amended to read as follows:

14 h. The assessor shall determine the value of real property
15 in accordance with rules adopted by the department of revenue
16 and in accordance with either the forms and guidelines
17 contained in the real property appraisal manual prepared by the
18 department as updated from time to time or with an alternate
19 appraisal manual approved for use pursuant to section 421.17,
20 subsection 17. Such rules, forms, and guidelines shall not
21 be inconsistent with or change the means, as provided in this
22 section, of determining the actual, market, taxable, and
23 assessed values.

24 i. (1) If the department finds that a city or county
25 assessor is not in compliance with the rules of the department
26 relating to valuation of property or has disregarded either the
27 forms and guidelines contained in the real property appraisal
28 manual or an alternate appraisal manual approved for use
29 pursuant to section 421.17, subsection 17, the department shall
30 notify the assessor and each member of the conference board for
31 the appropriate assessing jurisdiction. The notice shall be
32 mailed by restricted certified mail. The notice shall specify
33 the areas of noncompliance and the steps necessary to achieve
34 compliance. The notice shall also inform the assessor and
35 conference board that if compliance is not achieved, a penalty

1 may be imposed.

2 (2) The conference board shall respond to the department
3 within thirty days of receipt of the notice of noncompliance.
4 The conference board may respond to the notice by asserting
5 that the assessor is in compliance with the rules, guidelines,
6 and forms of the department or by informing the department that
7 the conference board intends to submit a plan of action to
8 achieve compliance. If the conference board responds to the
9 notification by asserting that the assessor is in compliance, a
10 hearing before the director of revenue shall be scheduled on
11 the matter.

12 (3) A plan of action shall be submitted within sixty days of
13 receipt of the notice of noncompliance. The plan shall contain
14 a time frame under which compliance shall be achieved which
15 shall be no later than January 1 of the following assessment
16 year. The plan of action shall contain the signature of the
17 assessor and of the chairperson of the conference board. The
18 department shall review the plan to determine whether the plan
19 is sufficient to achieve compliance. Within thirty days of
20 receipt of the plan, the department shall notify the assessor
21 and the chairperson of the conference board that it has
22 accepted the plan or that it is necessary to submit an amended
23 plan of action.

24 (4) By January 1 of the assessment year following
25 the calendar year in which the plan was submitted to the
26 department, the conference board shall submit a report to the
27 department indicating that the plan of action was followed and
28 compliance has been achieved. The department may conduct a
29 field inspection to ensure that the assessor is in compliance.
30 By January 31, the department shall notify the assessor and the
31 conference board, by restricted certified mail, either that
32 compliance has been achieved or that the assessor remains in
33 noncompliance. If the department determines that the assessor
34 remains in noncompliance, the department shall take steps
35 to withhold up to five percent of the reimbursement payment

1 authorized in section 425.1 until the director of revenue
2 determines that the assessor is in compliance.

3 (5) If the conference board disputes the determination of
4 the department, the chairperson of the conference board may
5 appeal the determination to the state board of tax review.

6 (6) The department shall adopt rules relating to the
7 administration of this paragraph "i".

8 Sec. 17. Section 441.21, subsection 2, Code Supplement
9 2009, is amended to read as follows:

10 2. a. In the event market value of the property being
11 assessed cannot be readily established in the foregoing manner,
12 then the assessor may determine the value of the property using
13 the other uniform and recognized appraisal methods including
14 its productive and earning capacity, if any, industrial
15 conditions, its cost, physical and functional depreciation
16 and obsolescence and replacement cost, and all other factors
17 which would assist in determining the fair and reasonable
18 market value of the property but the actual value shall not be
19 determined by use of only one such factor.

20 b. The following shall not be taken into consideration:
21 Special value or use value of the property to its present
22 owner, and the goodwill or value of a business which uses the
23 property as distinguished from the value of the property as
24 property. However, in assessing property that is rented or
25 leased to low-income individuals and families as authorized by
26 section 42 of the Internal Revenue Code, as amended, and which
27 section limits the amount that the individual or family pays
28 for the rental or lease of units in the property, the assessor
29 shall use the productive and earning capacity from the actual
30 rents received as a method of appraisal and shall take into
31 account the extent to which that use and limitation reduces the
32 market value of the property.

33 c. The assessor shall not consider any tax credit equity or
34 other subsidized financing as income provided to the property
35 in determining the assessed value. The property owner shall

1 notify the assessor when property is withdrawn from section
2 42 eligibility under the Internal Revenue Code. The property
3 shall not be subject to section 42 assessment procedures
4 for the assessment year for which section 42 eligibility is
5 withdrawn. This notification must be provided to the assessor
6 no later than March 1 of the assessment year or the owner
7 will be subject to a penalty of five hundred dollars for that
8 assessment year. The penalty shall be collected at the same
9 time and in the same manner as regular property taxes.

10 d. Upon adoption of uniform rules by the department of
11 revenue or succeeding authority covering assessments and
12 valuations of such properties, the valuation on such properties
13 shall be determined in accordance with such rules and in
14 accordance with either the forms and guidelines contained in
15 the real property appraisal manual prepared by the department
16 as updated from time to time for assessment purposes to
17 assure uniformity, but or with an alternate appraisal manual
18 approved for use pursuant to section 421.17, subsection
19 17. However, such rules, forms, and guidelines shall not be
20 inconsistent with or change the foregoing means of determining
21 the actual, market, taxable and assessed values.

22 DIVISION III

23 FINANCIAL ACCOUNT MATCHING AND DEBT COLLECTION

24 Sec. 18. Section 421.17, Code 2009, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 27A. a. To establish a data match system.

27 b. The director may require financial institutions doing
28 business in Iowa to enter into agreements to provide the
29 information described in paragraph "c" regarding individuals
30 with accounts at financial institutions who may be subject to
31 a levy issued by the facility.

32 c. A financial institution, or its agent, shall provide on
33 a quarterly basis the following information for each individual
34 identified pursuant to paragraph "b":

35 (1) Name.

1 (2) Address.

2 (3) Account numbers.

3 (4) Social security or tax identification number, as
4 applicable.

5 *d.* An agreement shall provide that the information described
6 in paragraph "c" be provided by doing one of the following:

7 (1) Using a data match system to identify individuals
8 by means of a social security or tax identification number
9 provided by the facility.

10 (2) Submitting reports containing the information described
11 in paragraph "c" on individuals identified in paragraph "b" to
12 the department. Information in such reports shall be used by
13 the department solely for purposes of collecting obligor debts.

14 *e.* If, based on the information provided in paragraph
15 "d" pursuant to the agreement, the facility determines that
16 an account belongs to an individual who is an obligor, the
17 facility may initiate an administrative action under section
18 421.17A to levy against the obligor's account.

19 *f.* The facility shall reimburse a financial institution,
20 or its agent, for the actual and reasonable costs incurred in
21 providing the information described in paragraph "c". For
22 purposes of this paragraph "f", "*actual and reasonable costs*"
23 means either the cost of developing a data match system to
24 provide information pursuant to paragraph "d", subparagraph
25 (1), or the cost of providing reports pursuant to paragraph "d",
26 subparagraph (2).

27 *g.* Notwithstanding any other provision of law to the
28 contrary, an agreement with a financial institution pursuant
29 to this subsection shall specify a date by which the financial
30 institution shall submit a claim for reimbursement pursuant to
31 paragraph "f".

32 *h.* This subsection shall not be construed to preclude a
33 financial institution from doing either of the following:

34 (1) Recouping a deposit made to an individual's account, if
35 the financial institution is lawfully entitled to do so.

1 (2) Collecting standard or contractual account activity
2 fees to the extent such fees are necessary to maintain the
3 account during any period in which access to the account is
4 blocked or encumbered.

5 *i.* The information provided by a financial institution,
6 or its agent, under this subsection shall be confidential and
7 shall be available only to the department and the facility for
8 use in levy collection activities.

9 *j.* A financial institution, or its agent, providing the
10 information described in this subsection shall not be held
11 liable for either of the following:

12 (1) Blocking access to or surrendering an individual's
13 assets in response to a levy action under this subsection.

14 (2) Any other action taken in good faith to comply with the
15 requirements of this subsection.

16 *k.* This subsection shall not be construed to preclude
17 the department from encumbering an obligor's account with a
18 financial institution by another available means or provision
19 of law.

20 *l.* The director shall adopt rules for the administration
21 of this subsection. The rules shall specify an implementation
22 plan for the data match system. The plan, to the extent
23 practicable, shall reflect the practices and capabilities of
24 similar systems utilized by private entities or government
25 agencies.

26 *m.* As used in this subsection, unless the context otherwise
27 requires:

28 (1) "*Data match system*" means an automated process for
29 matching and comparing obligor information from the centralized
30 debt collection data bank described in subsection 27 with
31 account information from financial institutions.

32 (2) The terms "*account*", "*bank*", "*credit union*", "*facility*",
33 "*financial institution*", "*obligor*", and "*savings and loan*
34 *association*" have the same meaning as defined in section
35 421.17A, subsection 1.

DIVISION IV

IDENTIFICATION OF WORKER MISCLASSIFICATION

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3 Sec. 19. Section 421.17, Code 2009, is amended by adding the
4 following new subsection:

5 NEW SUBSECTION. 31. To assist the department of workforce
6 development in identifying taxpayers who have failed to
7 file a return or to pay the taxes, penalties, or interest
8 required pursuant to any of the tax provisions administered
9 by the department of workforce development. In assisting the
10 department of workforce development, and notwithstanding any
11 provisions to the contrary in sections 422.20 and 422.72, the
12 director is authorized to provide the following information for
13 purposes of identifying such taxpayers:

14 a. Withholding tax and payroll information.

15 b. The identity, including the date of birth and social
16 security number, of any taxpayer who has previously been or is
17 currently being audited or investigated by the department.

18 c. The result or most recent status of the audit or
19 investigation.

20 Sec. 20. Section 422.20, subsection 3, paragraph a, Code
21 2009, is amended to read as follows:

22 a. Unless otherwise expressly permitted by section 8A.504,
23 section 96.11, subsection 6, section 421.17, subsections 22,
24 23, and 26, and 31, sections 252B.9, 321.120, 421.19, 421.28,
25 422.72, and 452A.63, and this section, a tax return, return
26 information, or investigative or audit information shall not
27 be divulged to any person or entity, other than the taxpayer,
28 the department, or internal revenue service for use in a matter
29 unrelated to tax administration.

30 Sec. 21. Section 422.72, subsection 3, paragraph a, Code
31 2009, is amended to read as follows:

32 a. Unless otherwise expressly permitted by section 8A.504,
33 section 96.11, subsection 6, section 421.17, subsections 22,
34 23, and 26, and 31, sections 252B.9, 321.120, 421.19, 421.28,
35 422.20, and 452A.63, and this section, a tax return, return

1 information, or investigative or audit information shall not
2 be divulged to any person or entity, other than the taxpayer,
3 the department, or internal revenue service for use in a matter
4 unrelated to tax administration.

5 Sec. 22. EFFECTIVE UPON ENACTMENT. This division of this
6 Act, being deemed of immediate importance, takes effect upon
7 enactment.

8 DIVISION V

9 FALSE CLAIMS FOR CREDIT

10 Sec. 23. Section 421.27, subsection 6, Code 2009, is amended
11 to read as follows:

12 6. *Improper receipt of refund or credit.* A person who makes
13 an erroneous application for refund or credit shall be liable
14 for any overpayment received or tax liability reduced plus
15 interest at the rate in effect under section 421.7. In
16 addition, a person who willfully makes a false or frivolous
17 application for refund or credit with intent to evade tax
18 or with intent to receive a refund or credit to which the
19 person is not entitled is guilty of a fraudulent practice
20 and is liable for a penalty equal to seventy-five percent of
21 the refund or credit being claimed. ~~Repayments~~ Payments,
22 penalties, and interest due under this subsection may be
23 collected and enforced in the same manner as the tax imposed.

24 DIVISION VI

25 REFUND INTEREST ACCRUAL

26 Sec. 24. Section 421.60, subsection 2, paragraph e, Code
27 2009, is amended to read as follows:

28 e. Unless otherwise provided by law, all Iowa taxes which
29 are administered by the department and which result in a refund
30 shall accrue interest at the rate in effect under section 421.7
31 from the first day of the ~~second~~ third calendar month following
32 the date of payment or the date the return was due to be filed
33 or was filed, whichever is the latest.

34 Sec. 25. Section 422.16, subsection 9, Code 2009, is amended
35 to read as follows:

1 9. a. The amount of any overpayment of the individual
2 income tax liability of the employee taxpayer, nonresident,
3 or other person which may result from the withholding and
4 payment of withheld tax by the employer or withholding agent
5 to the department under subsections 1 and 12, as compared to
6 the individual income tax liability of the employee taxpayer,
7 nonresident, or other person properly and correctly determined
8 under the provisions of section 422.4, to and including section
9 422.25, may be credited against any income tax or installment
10 thereof then due the state of Iowa and any balance of one
11 dollar or more shall be refunded to the employee taxpayer,
12 nonresident or other person with interest at the rate in
13 effect under section 421.7 for each month or fraction of a
14 month, the interest to begin to accrue on the first day of the
15 ~~second~~ third calendar month following the date the return was
16 due to be filed or was filed, whichever is the later date.

17 b. Amounts of less than one dollar shall be refunded to
18 the taxpayer, nonresident, or other person only upon written
19 application, in accordance with section 422.73, and only if
20 the application is filed within twelve months after the due
21 date of the return. Refunds in the amount of one dollar
22 or more provided for by this subsection shall be paid by
23 the treasurer of state by warrants drawn by the director of
24 the department of administrative services, or an authorized
25 employee of the department, and the taxpayer's return of
26 income shall constitute a claim for refund for this purpose,
27 except in respect to amounts of less than one dollar. There
28 is appropriated, out of any funds in the state treasury not
29 otherwise appropriated, a sum sufficient to carry out the
30 provisions of this subsection.

31 Sec. 26. Section 422.25, subsection 3, Code 2009, is amended
32 to read as follows:

33 3. If the amount of the tax as determined by the department
34 is less than the amount paid, the excess shall be refunded with
35 interest, the interest to begin to accrue on the first day of

1 the ~~second~~ third calendar month following the date of payment
2 or the date the return was due to be filed, or the extended due
3 date by which the return was due to be filed if ninety percent
4 of the tax was paid by the original due date, or was filed,
5 whichever is the latest, at the rate in effect under section
6 421.7 counting each fraction of a month as an entire month
7 under the rules prescribed by the director. If an overpayment
8 of tax results from a net operating loss or net capital loss
9 which is carried back to a prior year, the overpayment, for
10 purposes of computing interest on refunds, shall be considered
11 as having been made on the date a claim for refund or amended
12 return carrying back the net operating loss or net capital
13 loss is filed with the department or on the first day of the
14 ~~second~~ third calendar month following the date of the actual
15 payment of the tax, whichever is later. However, when the net
16 operating loss or net capital loss carryback to a prior year
17 eliminates or reduces an underpayment of tax due for an earlier
18 year, the full amount of the underpayment of tax shall bear
19 interest at the rate in effect under section 421.7 for each
20 month counting each fraction of a month as an entire month from
21 the due date of the tax for the earlier year to the last day of
22 the taxable year in which the net operating loss or net capital
23 loss occurred.

24 Sec. 27. Section 422.28, Code 2009, is amended to read as
25 follows:

26 **422.28 Revision of tax.**

27 A taxpayer may appeal to the director for revision of
28 the tax, interest, or penalties assessed at any time within
29 sixty days from the date of the notice of the assessment of
30 tax, additional tax, interest, or penalties. The director
31 shall grant a hearing and if, upon the hearing, the director
32 determines that the tax, interest, or penalties are excessive
33 or incorrect, the director shall revise them according to
34 the law and the facts and adjust the computation of the tax,
35 interest, or penalties accordingly. The director shall notify

1 the taxpayer by mail of the result of the hearing and shall
2 refund to the taxpayer the amount, if any, paid in excess
3 of the tax, interest, or penalties found by the director to
4 be due, with interest ~~after sixty days~~ accruing from the
5 ~~date~~ first day of the third calendar month following the
6 date of payment by the taxpayer at the rate in effect under
7 section 421.7 for each month or a fraction of a month.

8 Sec. 28. Section 422.91, Code 2009, is amended to read as
9 follows:

10 **422.91 Credit for estimated tax — accrual of interest.**

11 1. a. Any amount of estimated tax paid is a credit against
12 the amount of tax due on a final, completed return, and any
13 overpayment of five dollars or more shall be refunded to the
14 taxpayer with interest, the interest to begin to accrue on the
15 first day of the ~~second~~ third calendar month following the date
16 of payment or the date the return was due to be filed or was
17 filed, whichever is the latest, at the rate established under
18 section 421.7, and the return constitutes a claim for refund
19 for this purpose.

20 b. Amounts of less than five dollars shall be refunded to
21 the taxpayer only upon written application in accordance with
22 section 422.73, and only if the application is filed within
23 twelve months after the due date for the return.

24 2. In lieu of claiming a refund, the taxpayer may elect
25 to have the overpayment shown on its final, completed return
26 for the taxable year credited to the tax liability for the
27 following taxable year.

28 Sec. 29. Section 423.3, subsection 47A, paragraph c, Code
29 Supplement 2009, is amended to read as follows:

30 c. For sales or rentals occurring on or after July 1, 2006,
31 through June 30, 2012, a refund of the tax paid as provided in
32 paragraph "b", subparagraph (1), (2), (3), (4), (5), or (6),
33 must be applied for, not later than six months after the month
34 in which the sale or rental occurred, in the manner and on the
35 forms provided by the department. Refunds shall only be of the

1 state tax collected. Refunds authorized shall accrue interest
2 at the rate in effect under section 421.7 from the first day of
3 the ~~second~~ third calendar month following the date the refund
4 claim is received by the department.

5 Sec. 30. Section 423.4, subsection 1, paragraph c, Code
6 Supplement 2009, is amended to read as follows:

7 c. Refunds authorized under this subsection shall accrue
8 interest at the rate in effect under section 421.7 from the
9 first day of the ~~second~~ third calendar month following the date
10 the refund claim is received by the department.

11 Sec. 31. Section 423.4, subsection 6, paragraph c, Code
12 Supplement 2009, is amended to read as follows:

13 c. (1) The owner of the collaborative educational facility
14 shall, not more than one year after the final settlement has
15 been made, make application to the department for any refund of
16 the amount of the sales or use tax which shall have been paid
17 upon any goods, wares, or merchandise, or services furnished,
18 the application to be made in the manner and upon forms
19 ~~to be~~ provided by the department, and the department shall
20 ~~forthwith~~ promptly audit the claim and, if approved, issue a
21 warrant to the owner of the collaborative educational facility
22 in the amount of the sales or use tax which has been paid to the
23 state of Iowa under the contract.

24 (2) Refunds authorized under this subsection shall accrue
25 interest at the rate in effect under section 421.7 from the
26 first day of the ~~second~~ third calendar month following the date
27 the refund claim is received by the department.

28 Sec. 32. Section 450.94, subsection 3, Code 2009, is amended
29 to read as follows:

30 3. If the amount paid is greater than the correct tax,
31 penalty, and interest due, the department shall refund the
32 excess with interest. Interest shall be computed at the rate
33 in effect under section 421.7, under the rules prescribed by
34 the director counting each fraction of a month as an entire
35 month and the interest shall begin to accrue on the first

1 day of the ~~second~~ third calendar month following the date
2 of payment or on the date the return was due to be filed or
3 was filed, whichever is the latest. However, the director
4 shall not allow a claim for refund or credit that has not been
5 filed with the department within three years after the tax
6 payment upon which a refund or credit is claimed became due,
7 or one year after the tax payment was made, whichever time is
8 later. A determination by the department of the amount of
9 tax, penalty, and interest due, or the amount of refund for
10 excess tax paid, is final unless the person aggrieved by the
11 determination appeals to the director for a revision of the
12 determination within sixty days from the date of the notice
13 of determination of tax, penalty, and interest due or refund
14 owing or unless the taxpayer contests the determination by
15 paying the tax, interest, and penalty and timely filing a claim
16 for refund. The director shall grant a hearing, and upon the
17 hearing the director shall determine the correct tax, penalty,
18 and interest or refund due, and notify the appellant of the
19 decision by mail. The decision of the director is final unless
20 the appellant seeks judicial review of the director's decision
21 under section 450.59 within sixty days after the date of the
22 notice of the director's decision.

23 Sec. 33. Section 452A.65, Code 2009, is amended to read as
24 follows:

25 **452A.65 Failure to promptly pay fuel taxes — refunds —**
26 **interest and penalties — successor liability.**

27 1. In addition to the tax or additional tax, the taxpayer
28 shall pay a penalty as provided in section 421.27. The
29 taxpayer shall also pay interest on the tax or additional
30 tax at the rate in effect under section 421.7 counting each
31 fraction of a month as an entire month, computed from the
32 date the return was required to be filed. If the amount of
33 the tax as determined by the appropriate state agency is
34 less than the amount paid, the excess shall be refunded with
35 interest, the interest to begin to accrue on the first day of

1 the ~~second~~ third calendar month following the date of payment
2 or the date the return was due to be filed or was filed,
3 whichever is the latest, at the rate in effect under section
4 421.7 counting each fraction of a month as an entire month
5 under the rules prescribed by the appropriate state agency.
6 Claims for refund filed under sections 452A.17 and 452A.21
7 shall accrue interest beginning with the first day of the
8 ~~second~~ third calendar month following the date the refund claim
9 is received by the department.

10 2. A report required of licensees or persons operating under
11 division III, upon which no tax is due, is subject to a penalty
12 of ten dollars if the report is not timely filed with the state
13 department of transportation.

14 3. If a licensee or other person sells the licensee's
15 or other person's business or stock of goods or quits the
16 business, the licensee or other person shall prepare a final
17 return and pay all tax due within the time required by law.
18 The immediate successor to the licensee or other person, if
19 any, shall withhold sufficient of the purchase price, in money
20 or money's worth, to pay the amount of any delinquent tax,
21 interest or penalty due and unpaid. If the immediate successor
22 of the business or stock of goods intentionally fails to
23 withhold any amount due from the purchase price as provided in
24 this paragraph, the immediate successor is personally liable
25 for the payment of the taxes, interest and penalty accrued
26 and unpaid on account of the operation of the business by the
27 immediate former licensee or other person, except when the
28 purchase is made in good faith as provided in section 421.28.
29 However, a person foreclosing on a valid security interest or
30 retaking possession of premises under a valid lease is not
31 an "*immediate successor*" for purposes of this paragraph. The
32 department may waive the liability of the immediate successor
33 under this paragraph if the immediate successor exercised good
34 faith in establishing the amount of the previous liability.

35 Sec. 34. EFFECTIVE UPON ENACTMENT AND APPLICABILITY. This

1 division of this Act, being deemed of immediate importance,
2 takes effect upon enactment and applies to tax returns due on
3 or after April 30, 2010.

4 DIVISION VII

5 TAX CODE REFERENCES TO MARRIED PERSONS

6 Sec. 35. Section 68A.601, Code 2009, is amended to read as
7 follows:

8 **68A.601 Checkoff — income tax.**

9 1. a. A person whose state income tax liability for any
10 taxable year is one dollar and fifty cents or more may direct
11 that one dollar and fifty cents of that liability be paid over
12 to the Iowa election campaign fund when submitting the person's
13 state income tax return to the department of revenue.

14 b. In the case of a joint return of ~~husband and wife~~ married
15 persons having a state income tax liability of three dollars or
16 more, each spouse may direct that one dollar and fifty cents be
17 paid to the fund.

18 2. a. The director of revenue shall draft the income tax
19 form to provide spaces on the tax return which the taxpayer may
20 use to designate that contributions made under this section be
21 credited to a specified political party as defined by section
22 43.2, or to the Iowa election campaign fund as a contribution
23 to be shared by all such political parties in the manner
24 prescribed by section 68A.602.

25 b. The form shall inform the taxpayer of the consequences of
26 the choices provided under this section, but this information
27 may be contained in a footnote or other suitable form if the
28 director of revenue finds it is not feasible to place the
29 information immediately above the signature line.

30 3. The action taken by a person for the checkoff is
31 irrevocable.

32 Sec. 36. NEW SECTION. **422.4A Determination of marital**
33 **status.**

34 For purposes of this division, marital status shall be
35 determined in accordance with the laws of this state.

1 Sec. 37. Section 422.5, subsection 3, Code Supplement 2009,
2 is amended to read as follows:

3 3. *a.* The tax shall not be imposed on a resident or
4 nonresident whose net income, as defined in section 422.7, is
5 thirteen thousand five hundred dollars or less in the case
6 of married persons filing jointly or filing separately on a
7 combined return, heads of household, and surviving spouses
8 or nine thousand dollars or less in the case of all other
9 persons; but in the event that the payment of tax under this
10 division would reduce the net income to less than thirteen
11 thousand five hundred dollars or nine thousand dollars as
12 applicable, then the tax shall be reduced to that amount which
13 would result in allowing the taxpayer to retain a net income
14 of thirteen thousand five hundred dollars or nine thousand
15 dollars as applicable. The preceding sentence does not apply
16 to estates or trusts. For the purpose of this subsection, the
17 entire net income, including any part of the net income not
18 allocated to Iowa, shall be taken into account. For purposes
19 of this subsection, net income includes all amounts of pensions
20 or other retirement income received from any source which is
21 not taxable under this division as a result of the government
22 pension exclusions in section 422.7, or any other state law.
23 If the combined net income of ~~a husband and wife~~ married
24 persons exceeds thirteen thousand five hundred dollars, neither
25 of them shall receive the benefit of this subsection, and it
26 is immaterial whether they file a joint return or separate
27 returns. However, if ~~a husband and wife~~ married persons file
28 separate returns and have a combined net income of thirteen
29 thousand five hundred dollars or less, neither spouse shall
30 receive the benefit of this paragraph, if one spouse has a net
31 operating loss and elects to carry back or carry forward the
32 loss as provided in section 422.9, subsection 3. A person
33 who is claimed as a dependent by another person as defined in
34 section 422.12 shall not receive the benefit of this subsection
35 if the person claiming the dependent has net income exceeding

1 thirteen thousand five hundred dollars or nine thousand dollars
2 as applicable or the person claiming the dependent and the
3 person's spouse have combined net income exceeding thirteen
4 thousand five hundred dollars or nine thousand dollars as
5 applicable.

6 *b.* In lieu of the computation in subsection 1, 2, or 3, if
7 the married persons', filing jointly or filing separately on
8 a combined return, head of household's, or surviving spouse's
9 net income exceeds thirteen thousand five hundred dollars, the
10 regular tax imposed under this division shall be the lesser
11 of the maximum state individual income tax rate times the
12 portion of the net income in excess of thirteen thousand five
13 hundred dollars or the regular tax liability computed without
14 regard to this sentence. ~~Taxpayers~~ Married persons electing
15 to file separately shall compute the alternate tax described
16 in this paragraph using the total net income of ~~the husband~~
17 ~~and wife~~ both spouses. The alternate tax described in this
18 paragraph does not apply if one spouse elects to carry back or
19 carry forward the loss as provided in section 422.9, subsection
20 3.

21 Sec. 38. Section 422.5, subsection 3B, paragraphs a and b,
22 Code Supplement 2009, are amended to read as follows:

23 *a.* The tax shall not be imposed on a resident or nonresident
24 who is at least sixty-five years old on December 31 of
25 the tax year and whose net income, as defined in section
26 422.7, is thirty-two thousand dollars or less in the case
27 of married persons filing jointly or filing separately on a
28 combined return, heads of household, and surviving spouses or
29 twenty-four thousand dollars or less in the case of all other
30 persons; but in the event that the payment of tax under this
31 division would reduce the net income to less than thirty-two
32 thousand dollars or twenty-four thousand dollars as applicable,
33 then the tax shall be reduced to that amount which would result
34 in allowing the taxpayer to retain a net income of thirty-two
35 thousand dollars or twenty-four thousand dollars as applicable.

1 The preceding sentence does not apply to estates or trusts.
2 For the purpose of this subsection, the entire net income,
3 including any part of the net income not allocated to Iowa,
4 shall be taken into account. For purposes of this subsection,
5 net income includes all amounts of pensions or other retirement
6 income received from any source which is not taxable under this
7 division as a result of the government pension exclusions in
8 section 422.7, or any other state law. If the combined net
9 income of ~~a husband and wife~~ married persons exceeds thirty-two
10 thousand dollars, neither of them shall receive the benefit
11 of this subsection, and it is immaterial whether they file a
12 joint return or separate returns. However, if ~~a husband and~~
13 ~~wife~~ married persons file separate returns and have a combined
14 net income of thirty-two thousand dollars or less, neither
15 spouse shall receive the benefit of this paragraph, if one
16 spouse has a net operating loss and elects to carry back or
17 carry forward the loss as provided in section 422.9, subsection
18 3. A person who is claimed as a dependent by another person as
19 defined in section 422.12 shall not receive the benefit of this
20 subsection if the person claiming the dependent has net income
21 exceeding thirty-two thousand dollars or twenty-four thousand
22 dollars as applicable or the person claiming the dependent
23 and the person's spouse have combined net income exceeding
24 thirty-two thousand dollars or twenty-four thousand dollars as
25 applicable.

26 *b.* In lieu of the computation in subsection 1, 2, or 3, if
27 the married persons', filing jointly or filing separately on
28 a combined return, head of household's, or surviving spouse's
29 net income exceeds thirty-two thousand dollars, the regular
30 tax imposed under this division shall be the lesser of the
31 maximum state individual income tax rate times the portion of
32 the net income in excess of thirty-two thousand dollars or the
33 regular tax liability computed without regard to this sentence.
34 ~~Taxpayers~~ Married persons electing to file separately shall
35 compute the alternate tax described in this paragraph using the

1 total net income of ~~the husband and wife~~ both spouses. The
2 alternate tax described in this paragraph does not apply if
3 one spouse elects to carry back or carry forward the loss as
4 provided in section 422.9, subsection 3.

5 Sec. 39. Section 422.5, subsection 7, Code Supplement 2009,
6 is amended to read as follows:

7 7. The state income tax of a taxpayer whose net income
8 includes the gain or loss from the forfeiture of an installment
9 real estate contract, the transfer of real or personal
10 property securing a debt to a creditor in cancellation of that
11 debt, or from the sale or exchange of property as a result
12 of actual notice of foreclosure where the fair market value
13 of the taxpayer's assets exceeds the taxpayer's liabilities
14 immediately before such forfeiture, transfer, or sale or
15 exchange shall not be greater than such excess, including any
16 asset transferred within one hundred twenty days prior to such
17 forfeiture, transfer, or sale or exchange. For purposes of
18 this subsection, in the case of married ~~taxpayers~~ persons,
19 except in the case of a ~~husband and wife~~ spouses who live
20 apart at all times during the tax year, the assets and
21 liabilities of both spouses shall be considered in determining
22 if the fair market value of the ~~taxpayer's~~ assets exceed the
23 ~~taxpayer's~~ liabilities.

24 Sec. 40. Section 422.7, subsection 16, paragraph c, Code
25 Supplement 2009, is amended to read as follows:

26 c. The taxpayer's net worth at the end of the tax year
27 is less than seventy-five thousand dollars. In determining
28 a taxpayer's net worth at the end of the tax year a taxpayer
29 shall include any asset transferred within one hundred twenty
30 days prior to the end of the tax year without adequate and full
31 consideration in money or money's worth. In determining the
32 taxpayer's debt to asset ratio, the taxpayer shall include
33 any asset transferred within one hundred twenty days prior
34 to such forfeiture, transfer, or sale or exchange without
35 adequate and full consideration in money or money's worth.

1 For purposes of this subsection, actual notice of foreclosure
2 includes, but is not limited to, bankruptcy or written notice
3 from a creditor of the creditor's intent to foreclose where
4 there is a reasonable belief that the creditor can force a sale
5 of the asset. For purposes of this subsection, in the case of
6 ~~married taxpayers~~ persons, except in the case of a ~~husband and~~
7 ~~wife~~ spouses who live apart at all times during the tax year,
8 the assets and liabilities of both spouses shall be considered
9 for purposes of determining the ~~taxpayer's~~ net worth or the
10 ~~taxpayer's~~ debt to asset ratio.

11 Sec. 41. Section 422.7, subsection 31, Code Supplement
12 2009, is amended to read as follows:

13 31. For a person who is disabled, or is fifty-five
14 years of age or older, or is the surviving spouse of an
15 individual or a survivor having an insurable interest in an
16 individual who would have qualified for the exemption under
17 this subsection for the tax year, subtract, to the extent
18 included, the total amount of a governmental or other pension
19 or retirement pay, including, but not limited to, defined
20 benefit or defined contribution plans, annuities, individual
21 retirement accounts, plans maintained or contributed to by an
22 employer, or maintained or contributed to by a self-employed
23 person as an employer, and deferred compensation plans or any
24 earnings attributable to the deferred compensation plans,
25 up to a maximum of six thousand dollars for a person, other
26 than a ~~husband or wife~~ married person, who files a separate
27 state income tax return and up to a maximum of twelve thousand
28 dollars for a ~~husband and wife~~ married persons who file a
29 joint state income tax return. However, a surviving spouse
30 who is not disabled or fifty-five years of age or older can
31 only exclude the amount of pension or retirement pay received
32 as a result of the death of the other spouse. A ~~husband and~~
33 ~~wife~~ Married persons filing separate state income tax returns
34 or separately on a combined state return are allowed a combined
35 maximum exclusion under this subsection of up to twelve

1 thousand dollars. The twelve thousand dollar exclusion for
2 married persons shall be allocated to ~~the husband or wife~~ each
3 spouse individually in the proportion that ~~each spouse's~~
4 ~~respective~~ the pension and retirement pay received by that
5 spouse bears to the total combined pension and retirement pay
6 received by both spouses.

7 Sec. 42. Section 422.9, subsection 1, Code Supplement 2009,
8 is amended to read as follows:

9 1. An optional standard deduction, after deduction of
10 federal income tax, equal to one thousand two hundred thirty
11 dollars for a married person who files separately or a
12 single person or equal to three thousand thirty dollars for
13 ~~a husband and wife~~ married persons who file a joint return,
14 a surviving spouse, or a head of household. The optional
15 standard deduction shall not exceed the amount remaining after
16 deduction of the federal income tax. The amount of federal
17 income tax deducted shall be computed as provided in subsection
18 2, paragraph "b".

19 Sec. 43. Section 422.12, subsection 2, paragraph a, Code
20 Supplement 2009, is amended to read as follows:

21 a. A personal exemption credit in the following amounts:

22 (1) For an estate or trust, a single individual, or a
23 married person filing a separate return, forty dollars.

24 (2) For a head of household, or ~~a husband and wife~~ married
25 persons filing a joint return, eighty dollars.

26 (3) For each dependent, an additional forty dollars.

27 (4) For a single individual, ~~husband, wife~~ married person,
28 or head of household, an additional exemption of twenty dollars
29 for each of said individuals who has attained the age of
30 sixty-five years before the close of the tax year or on the
31 first day following the end of the tax year.

32 (5) For a single individual, ~~husband, wife~~ married person,
33 or head of household, an additional exemption of twenty dollars
34 for each of said individuals who is blind at the close of
35 the tax year. For the purposes of this subparagraph, an

1 individual is blind only if the individual's central visual
2 acuity does not exceed twenty-two hundredths in the better eye
3 with correcting lenses, or if the individual's visual acuity
4 is greater than twenty-two hundredths but is accompanied by
5 a limitation in the fields of vision such that the widest
6 diameter of the visual field subtends an angle no greater than
7 twenty degrees.

8 Sec. 44. Section 422.12, subsection 3, Code Supplement
9 2009, is amended by striking the subsection.

10 Sec. 45. Section 422.13, subsection 3, Code Supplement
11 2009, is amended to read as follows:

12 3. For purposes of determining the requirement for filing
13 a return under subsection 1, the combined net income of a
14 ~~husband and wife~~ married persons from sources taxable under
15 this division shall be considered.

16 Sec. 46. Section 422.27, subsection 1, Code 2009, is amended
17 to read as follows:

18 1. A final account of a personal representative, as defined
19 in section 450.1, shall not be allowed by any court unless the
20 account shows, and the judge of the court finds, that all taxes
21 imposed by this division upon the personal representative,
22 which have become payable, have been paid, and that all taxes
23 which may become due are secured by bond or deposit, or are
24 otherwise secured. The certificate of acquittances of the
25 department of revenue is conclusive as to the payment of the
26 tax to the extent of the acquittance. ~~This~~ In the case of
27 married persons, this subsection does not apply if all property
28 in the estate of a decedent is held in joint tenancy with right
29 of survivorship by ~~husband and wife~~ the spouses alone.

30 Sec. 47. Section 428A.2, subsection 11, Code 2009, is
31 amended to read as follows:

32 11. Deeds between ~~husband and wife~~ married persons, or
33 parent and child, without actual consideration. A cancellation
34 of indebtedness alone which is secured by the property being
35 transferred and which is not greater than the fair market value

1 of the property being transferred is not actual consideration
2 within the meaning of this subsection.

3 Sec. 48. Section 450.22, subsection 2, Code 2009, is amended
4 to read as follows:

5 2. However, this section does not apply and a return is not
6 required to be filed even though real estate is part of the
7 assets subject to tax under this chapter, if all of the assets
8 are held in joint tenancy with right of survivorship between
9 ~~husband and wife~~ married persons alone, or if the estate
10 exclusively consists of property held in joint tenancy with the
11 right of survivorship solely by the decedent and individuals
12 listed in section 450.9 as individuals that are entirely exempt
13 from Iowa inheritance tax and the estate does not have a
14 federal estate tax obligation.

15 Sec. 49. Section 450.22, subsection 3, paragraph a, Code
16 2009, is amended to read as follows:

17 a. Assets held in joint tenancy with right of survivorship
18 between ~~husband and wife~~ married persons alone.

19 Sec. 50. EFFECTIVE UPON ENACTMENT AND RETROACTIVE
20 APPLICABILITY. This division of this Act, being deemed of
21 immediate importance, takes effect upon enactment and applies
22 retroactively to January 1, 2009, for tax years beginning,
23 property transferred, and decedents dying on or after that
24 date.

25 EXPLANATION

26 This bill relates to the policy administration of the tax and
27 related laws by the department of revenue.

28 Division I amends certain withholding tax credit programs
29 related to jobs training and economic development. Currently,
30 the industrial new jobs training program, the accelerated
31 career education program, and the targeted jobs withholding
32 program allow a certain percentage of the withholding taxes
33 due by businesses to be remitted directly to either community
34 colleges or pilot project cities, as applicable. Division
35 I amends the programs to require that businesses pay their

1 withholding taxes to the department of revenue and that
2 community colleges and pilot project cities certify to the
3 department the amount to be allocated to them under the
4 programs. The department is required to verify those amounts
5 before remitting the payments.

6 The amendments in division I of the bill, by operation
7 of law, also apply to the supplemental new jobs credit from
8 withholding in Code section 15A.7, the quality jobs enterprise
9 zone program in Code section 15A.9, and the new jobs credit
10 from withholding in Code section 15E.197 because all of these
11 programs refer to one or more of the provisions amended in
12 division I.

13 Division II amends Code sections 421.17, 421.30, and
14 441.21 to allow the director to approve an alternate property
15 appraisal manual for use by city or county assessors. An
16 alternate manual must be uniform and consistent with the state
17 appraisal manual.

18 Division II also amends Code section 427B.4 to extend by
19 two years the period for claiming the industrial real estate
20 or cattle facilities property tax exemptions. Currently, a
21 taxpayer cannot claim one of these exemptions unless it is
22 claimed in the first year the property is eligible for the
23 exemption.

24 Division III provides for the establishment of a data
25 match system by the department. A data match system means
26 an automated process for matching and comparing obligor
27 information from the department's centralized debt collection
28 data bank with certain account information from financial
29 institutions. The director of revenue is authorized to require
30 financial institutions to enter into agreements to provide such
31 information for individuals who may owe debts to the state. If
32 the data match system finds such an individual, the department
33 is authorized to initiate an administrative action to levy
34 against the individual's account at the financial institution.

35 Financial institutions are entitled to reimbursement for

1 the actual and reasonable costs of complying with the data
2 match system requirements. All information from the data match
3 system is confidential and may be used only for purposes of
4 collecting debt. The director of revenue is directed to adopt
5 rules for the administration of the data match system and,
6 in doing so, to make the system operate like similar systems
7 already in use at other institutions and government agencies.

8 Division IV allows the department to share certain taxpayer
9 information with the department of workforce development for
10 purposes of assisting in the identification of misclassified
11 workers. The division is effective upon enactment.

12 Division V relates to penalties for the filing of false or
13 frivolous claims for tax credit. Code section 421.27 currently
14 provides a penalty for the filing of false or frivolous refund
15 claims. Division V extends this penalty to false or frivolous
16 claims for credits as well.

17 Division VI relates to the accrual of interest on tax
18 refunds. Currently, there are many references in the Code to
19 the date on which interest begins to accrue on tax refunds.
20 That date is typically the first day of the second calendar
21 month following the date the return was due to be filed.
22 Division VI amends all such Code sections to specify that
23 interest begins to accrue on the first day of the third
24 calendar month following the date the return was due to be
25 filed. The division is effective upon enactment and applies to
26 returns due on or after April 30, 2010.

27 Division VII relates to the use of gender neutral language
28 regarding married persons in Code chapters 422, 428A, and 450.
29 Currently, these chapters contain references to husband and
30 wife. Division VII replaces such references with the term
31 "married persons" or "spouse" as appropriate to the context.

32 Currently, Code section 422.12 contains a provision stating
33 that whether a person is married shall be determined according
34 to section 7703 of the federal Internal Revenue Code. Federal
35 law currently does not recognize same-sex couples as married

1 taxpayers. Because of the Iowa Supreme Court's decision on
2 same-sex marriage in this state in Varnum v. Brien, division
3 VII eliminates this provision and provides instead that the
4 determination of marital status will now be made pursuant to
5 the laws of the State of Iowa. Division VII is effective upon
6 enactment and applies retroactively to January 1, 2009, for tax
7 years beginning, property transferred, and decedents dying on
8 or after that date.